

VZCZCXRO4165
RR RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHRB #1624/01 2921205
ZNR UUUUU ZZH
R 191205Z OCT 07
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 7608
INFO RUEHCL/AMCONSUL CASABLANCA 3591
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHEE/ARAB LEAGUE COLLECTIVE
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UNCLAS SECTION 01 OF 02 RABAT 001624

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E.O. 12958: N/A
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SUBJECT: MOROCCAN REMITTANCES BALANCE TRADE DEFICIT

REF: RABAT 01541

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¶1. (U) Summary: Remittances from Moroccans living abroad (MRE) have doubled since 2000, and dwarf the sum total of all foreign aid. MRE and tourism receipts match the value of all Moroccan exports at approximately USD 11.4 billion, and serve as a critical counter-weight to a spiraling trade deficit. Despite recent economic prosperity and cooperation with the EU, the number of Moroccans migrating abroad continues to increase, reflecting a culture of migration that is accepted by the government. End Summary.

1 In 10 Moroccans Live Abroad

¶2. (SBU) The latest World Bank figures estimate that over 2.7 million Moroccans live abroad, primarily in Western Europe. Officials at the Ministry of Expatriate Affairs (whose existence highlights the importance of emigration to the Moroccan economy) concede that the GOM does not have an accurate estimate of Moroccan migration, but instead uses immigration figures from foreign consulates. These figures show that 50,000 Moroccans legally emigrate each year, but Ministry officials concede the actual figure for both legal and illegal migration is much higher. The EU estimates that perhaps 100,000 Moroccans emigrate each year, while the Office des Changes revised their official 2006 estimate of Moroccans living abroad from 2.8 to 3.5 million.

Positive Economic Impact

¶3. (U) Remittances are a key element in Morocco's international balance sheet. Between 2000 and 2006, they increased 150 percent to USD 5.4 billion, or approximately 9 percent of GDP. Our contacts at the Office des Changes admit the true value of remittances could be much greater, as government MRE figures only represent financial transfers reported by Morocco's commercial banks. Recent international studies suggest that informal remittances, which are delivered via courier or community networks, could double this total.

¶4. (U) Official Moroccan figures show the vast majority of remittances originate from France, comprising 43 percent of the

total. In the past ten years, Spain has increased substantially from 4 to 14 percent, while the U.S. has increased from 4 to 6 percent.

15. (U) Fueled by rising consumer demand, the Moroccan trade deficit continues to grow. In 2006, Moroccan exports were valued at USD 12.6 billion, while imports were USD 23.4 billion, creating a USD 10.8 billion deficit. Nonetheless, according to the International Monetary Fund (IMF), Morocco's current account is expected to record its seventh consecutive surplus in 2007, thanks to MRE and tourism receipts, which together are expected to total USD 11.3 billion.

16. (U) Tourism receipts are linked to MRE remittances, as increasing numbers of Moroccans return home for visits each year. According to official figures, Moroccans comprised 2.1 million of the 4.6 million tourists in 2001. This figure jumped to 3.5 million of 7.6 million tourists in 2006. External Affairs Ministry Chief of Staff Hamdi told us in a recent meeting that the local impact of returning MREs is enormous, particularly in high-migration areas such as the mountain districts along the Mediterranean coast, where local populations double during the summer months. In 2006, the number of visiting (returning) Moroccans was approximately equal to the number of European tourists, with total tourism receipts reaching USD 5.9 billion. In addition, remittances play a not insignificant role in providing liquidity to the Moroccan financial sector, as they total over a quarter of deposits in Moroccan banks.

17. (U) Economists and sociologists are divided as to the macro economic effect of remittances. Some view remittances positively, noting their role in balancing the current account and providing Morocco its principal source of foreign currency. Others consider remittances to be linked with Morocco's brain-drain, incompatible with economic growth, and masking the economic consequences of

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de-industrialization. Hamdi spoke matter of factly about Moroccan college graduates seeking foreign employment, remarking that the private economy could not absorb them all. According to the latest Moroccan census, college graduates represent the largest unemployed sector at 20 percent. Hamdi added that biologists, chemists, mathematicians, IT specialists, and health professionals were the most affected, noting that 98 percent of the graduates this year from a Rabat science and technology university were employed outside Morocco.

18. (U) If this migration has acted as a safety valve, offering talented graduates opportunities that are not available to them in Morocco, critics see other significant downsides. Some industrialists suggest that Morocco's ability to run a current account surplus, even in the face of a burgeoning trade deficit, has encouraged complaisance and lack of attention to Moroccan industry's lack of competitiveness. De-industrialization was a significant issue to emerge from a summer 2007 conference of leading Moroccan economists and business leaders. Critics noted that dependence on remittances leaves Morocco vulnerable to economic fluctuations elsewhere in the world. Additional concerns related to whether remittances are being invested in productive activity or are playing a role in further overheating Morocco's real estate sector, which is already out of reach for many middle class Moroccans.

Public Embrace of Migration

19. (SBU) Besides helping to relieve unemployment pressure, migration has become a legitimate and accepted vehicle to success. A recent World Bank study concludes international migrants have become role models, creating a culture in which migration is a status symbol. One recent poll by a French migration NGO found that over 54 percent of Moroccan high school students openly aspire to live in Europe, Canada, or the U.S.

110. (SBU) Faced with unabated migration (and given the benefits it accrues from migration), the GOM is resolved to make things as easy as possible for Moroccans to return. Hamdi explained that 1989 marked a turning point in the GOM's approach, symbolized by the name

change from "Moroccan Workers Abroad (TME)" to "Moroccan Residents Abroad (MRE)." Along with the name change came a policy that encouraged dual citizenship and integration as a means of increasing remittances. Today, Hamdi said his Ministry is helping to build Moroccan mosques and install moderate Moroccan Imams in expat communities, not only to counter radical Muslim ideology, but also to strengthen expat ties and desires to return home.

¶11. (SBU) Comment: The GOM's response to migration has been mixed, with a distinct difference between the level of effort devoted towards controlling Sub-Saharan migration, compared to that spent controlling Moroccan migration. Harrowing images of thousands of young Africans arriving ashore in the Canary Islands have resulted in closer cooperation with Spain and a crack-down on Sub-Saharan illegal migration attempts. However, Moroccan migration, both legal and illegal, continues unabated, supported by a culture that embraces it. Real change in the dynamics of Moroccan migration is doubtful, as the government appears to have become dependent on the economic benefits of increasing remittances. END COMMENT.

RILEY